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The Director of Central Intelligence
Washington, D.C. 20505

National Intelligence Council

21 July 1988

MEMORANDUM FOR: See Distribution
FROM: Charles E. Allen
National Intelligence Officer for Warning
SUBJECT: Monthly Warning Reports for June 1988

1. Summary of Key Warning Issues:

USSR

Intelligence Community representatives met on 6 July to make a preliminary assessment of the results of the 28 June to 1 July Soviet party conference. While all agreed that it is too early to draw any final conclusions about the impact of the conference, sharply divergent views were expressed on the implications of the conference for Gorbachev and his agenda. Most analysts believe Gorbachev emerged a net winner from the meeting, with his authority enhanced and his reform agenda likely to accelerate in the months ahead. They believe that if the political reforms endorsed by the conference are effectively implemented over the months and years ahead, moreover, the meeting could prove to be a watershed event in Soviet political history. Some analysts find this assessment too positive for Gorbachev; they continue to

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believe he is effectively stalemated by conservatives in the leadership, see the conference as largely a wash, and doubt if the event will prove to have lasting impact in the long run.

All agree that Gorbachev did not get the breakthrough he may originally have hoped for when he proposed the conference in January 1987. There were numerous signs of compromise in the resolutions and speeches that suggest he still has many obstacles to overcome before he gets through the "line of scrimmage". There are Community disagreements, nonetheless, on conference dynamics, the strength of its message to the party and society, the prospects for implementing resolutions and the boost Gorbachev gained from the proceedings.

The pace of political developments in Moscow is likely to pick up in the wake of the conference. The conference resolutions express impatience with the extent of change on both the political and economic fronts. Whether this party conference proves to be a watershed event will depend on subsequent developments on two fronts:

- o If the conference's promises of movement are not followed up relatively quickly with more specific steps, whatever the boost Gorbachev has received from the proceedings will not last long.
- o More leadership change in the party's leading bodies will also be necessary if the reforms sanctioned in the conference resolutions are to be effectively implemented.

The Central Committee plenum scheduled to be held at the end of this month will provide a forum for possible movement on both the policy and personnel fronts. Gorbachev made clear in his concluding speech to the conference that he wants the meeting to take more specific steps to implement the general promises of reform contained in the conference resolutions.

NATO/Warsaw Pact

The Community continued its consideration of issues surrounding Allied governments' expectations for rapid progress on conventional force reductions with a focus on prospects for a bold Soviet negotiating gambit and the problems this might pose for Western interests.

Moscow's chief aim at the Conventional Stability Talks (CST)--expected to open in Vienna as early as this fall--will be to achieve further "denuclearization" of NATO's defenses, this time through reductions of US dual-capable aircraft. And while prospects are distant for a negotiated agreement, the negotiation process itself poses problems for Western security, particularly in that it may erode Western support for NATO force modernization. The United States and France--though often at odds over the conventional mandate--will be

best able to resist domestic pressures for a negotiating environment on Soviet terms.

A preemptive Soviet negotiating move can be expected, perhaps through a superficially attractive proposal along the lines already broached by Gorbachev at the Moscow summit. Immediate Soviet objectives will be to:

- o Commit Western governments to CST, even before a conventional mandate is agreed upon.
- o Establish a geographic area that incorporates forward US bases in the Atlantic to the Urals zone.
- o Ensure the inclusion in CST of nuclear delivery systems--particularly US dual-capable aircraft and eventually British and French nuclear systems as well.
- o Fuel neutralist tendencies and create a more difficult climate for NATO modernization.

Western positions will be largely reactive, and NATO countries will find it difficult to reach and maintain common positions.

Angola/Cuba/South Africa

Community analysts concur that Cuban motives remain unclear, and Pretoria may be of two minds on how to respond to the Cuban military buildup. Community officers cannot assess with any degree of confidence as to whether the Cubans are seeking only to bolster their bargaining position, or if they really want a military escalation. South African decisionmakers appeared divided; some probably want to deploy forces only to block any further Cuban advance, while others probably are urging a preemptive attack. The NIO for Africa expressed his view that fighting and talking are inextricably linked in this situation; serious fighting will likely take place before there is significant progress in the talks, which are likely to be protracted and subject to fits and starts. Pretoria might well win the battle but could lose the war because of the domestic outcry if there are heavy white South African casualties. Moreover, Cuba is better able to replenish equipment losses than South Africa.

The NIO for Warning holds the following views on Cuban and South African intentions. The completion of Cuban deployments in southwestern Angola has created a potential for a military showdown with South African forces in the next three months. Fidel Castro, in particular, apparently believes that now is the time to force South Africa from Angola and Namibia, both through negotiations and by decisive military action. NIO/W believes that the recent withdrawals of South African units from southwestern Angola primarily are tactical moves which do not represent a total withdrawal from Angola or a lack

of will by Pretoria to defend its vital strategic interests in the border area, such as the Ruacana hydroelectric facility just inside Namibia.

The Cuban moves have sparked a major policy debate in South Africa over how to respond to this challenge. Opinions range from those favoring a strong military response to those calling for greater caution and even disengagement for now to avoid an unwinnable war of attrition. The withdrawal of South African units from southwestern Angola following the 27 June clash near the Calueque Dam indicates Prime Minister Botha has chosen the more cautious policy. There is a good chance of a major battle, depending largely on how hard Castro pushes a military solution. Castro probably fears that Gorbachev's desire to reduce the risks and burdens of supporting the Luanda regime will undercut, if not endanger, Cuba's position in Angola. This concern not only will magnify Soviet-Cuban frictions, but reinforce Castro's incentives to score a military and political success before the Soviets apply sufficient pressure on Havana to liquidate its Angolan venture without achieving longstanding objectives.

Iran/Iraq

The Intelligence Community agrees that the Iraqis perceive chemical weapons to be an effective adjunct to their overall tactical operations. We also agree that Iraq has improved significantly its ability to use chemical weapons over the past five years. Iraqi chemical doctrine continues to evolve, wherein Iraq now views chemical weapons use as an integral part of major offensive operations against Iran. Chemical weapons--especially nerve agents--significantly contributed to the speed and extent of Iraqi victories at Al Faw and Fish Lake.

Pakistan

Pakistani President Zia's dismissal of the Junejo government is a serious setback for democracy in Pakistan. Zia, however, faces no serious problems in the near future. The Pakistani President's Islamization program and the proposed imposition of Sharia law appear to be designed to undercut his opponents. Zia probably will hold elections in late 1988 or, more likely, in early 1989. The elections will likely result in a weak parliament that will support Zia's programs. The post-election government will not change policy toward the United States and is likely to be more hard line toward the Soviets and the Soviet-supported regime in Kabul. Zia will continue to try to put Afghan fundamentalist insurgent leader Gulbuddin Hekmatyar in power in Afghanistan.

Over the long term Zia could well face serious problems, especially if Afghan refugees remain in Pakistan, the economy falters, and the elections favor the opposition. Zia's Islamization efforts could result in additional problems and opposition for him.

2. Trend Commentary:

Nicaragua

Clashes between the insurgents and Sandinista forces continue slowly to increase and if talks break down completely, the Sandinistas would likely launch an offensive against Resistance units inside Nicaragua. Although the Sandinistas are pushing the negotiation track, their force superiority and positioned stocks could allow them to renew fighting in country with little notice. For their part, the insurgents lack consensus on political strategy, and have only 4,000 to 5,000 troops inside Nicaragua; practical constraints could hold force levels near this range at least for the next several months. The Intelligence Community believes that the insurgents will eventually have to return to the talks. Nonetheless, most Community analysts believe the Resistance is likely to maintain itself as a viable force through the summer and into the fall on the condition that the Hondurans provide a safehaven and humanitarian assistance continues. Many Community analysts feel that Enrique Bermudez' leadership was not critical to the future of the Resistance and a minority believe his departure might even enhance prospects.

Panama

There is widespread belief in the Community that the sanctions are harming Noriega's opponents more than his supporters--with the military largely unaffected. Even if the sanctions were lifted the regime would face severe economic problems for some time to come. Cash flow problems continue to plague the regime and unless major loans are received or a new currency issued, layoffs and substantial pay cuts in the public sector probably are inevitable. If the sanctions continue to eat away at sectors that are normally pro-US, they may create an environment where Noriega feels he has greater license to take anti-US actions.

The assistance provides a small supplement to the PDF's military power and helps mobilize popular support for the regime--strengthening Noriega's ability to survive even further tightened US economic sanctions. The development of a base of personal support improves Noriega's chances of retaining influence in Panama even if he eventually is forced to retire or leave the country. It also builds a political base upon which to make a run at the presidency in the 1989 election; he reportedly is considering resigning in November to make a presidential bid.

For Havana and Managua, support for Noriega's Panama offers major opportunities at low material and political cost to:

- o Strengthen a Latin American leader who for opportunistic reasons will back their own policies in the region.
- o Reduce US influence in Latin America.

- o Win points with Moscow by boosting the world-wide aspirations of their mentor.

There is no apparent reason for any of the three collaborators to withdraw from the mutually beneficial relationship, and we expect their relationship to expand gradually. At low cost, the Cubans and Nicaraguans build influence--and IOUs--while Noriega strengthens himself and presumably sees no threat to his security from a slightly greater Communist presence in Panama. As Noriega's position consolidates, moreover, there may be profitable new opportunities for joint ventures--both economic and political--that will have a common thread of anti-US action. All sides nevertheless will be careful to avoid major overt Communist involvement that could cause the US to invoke provisions of the 1977 Panama Canal Treaty that call for the US to defend the canal.

Somalia

The fighting in Somalia between the rebel Somali National Movement (SNM) and Government forces appears to be winding down to a military deadlock. The rebellion has raised the potential for a military coup by exposing weaknesses in government forces, aggravating ethnic tensions in the government and clans, and exacerbating already severe budgetary and economic problems. The rebels will tenaciously defend their rugged mountain redoubt from which they could pose a long-term threat to US military access at Berbera.

US facilities and military access at Berbera and Mogadishu are not threatened at present, but an SNM force that could remain in the Sheikh mountains and menace nearby towns and roads might endanger US use of Berbera. The Community has no reliable evidence of continuing Ethiopian support to the rebels. The NIO for Africa reported that an SNM official has claimed that the group is not automatically opposed to continued US military access in Somalia, and that an SNM government in the north would negotiate the issue.

Haiti

The military faces no opposition to its rule and is likely to devote little attention to massive social and economic problems. Personal rivalries--temporarily set aside during the coup--are likely to flare up in the coming weeks, increasing the potential for more generalized violence and, therefore, the threat to US nationals.

Terrorism/Greece

As Greek interests have become increasingly targeted, public concern regarding the terrorist threat has increased; and the Papandreou government is being criticized for its apparent inability to arrest terrorists. DIA believes that the Revolutionary Popular Struggle (ELA) and 17 November groups are

likely to attack US interests in Greece. Both groups have a proven capability to carry out bombings; and 17 November conducts assassinations. The on-going base negotiations are likely to be a catalyst for more anti-US actions. If the the outcome favors the US, 17 November is likely to increase its attacks on US personnel and facilities. There is no evidence that either ELA or 17 November are linked to Palestinian groups. (17 November claimed responsibility for the assassination of Navy Captain Nordeen in Athens on 28 June, after the meeting.)

The current US effort to extradite Mohammad Rashid, a Palestinian terrorist associated with Colonel Hawari, could provoke a response from terrorist groups operating in Greece, including the Abu Nidal Organization, and Iranian and Libyan elements. Iran might seek to use members of the large Iranian community in Athens to respond to progress in the Middle East talks or to events in the Gulf, although the NIO for Counterterrorism emphasizes that there is no evidence indicating Tehran plans to carry out terrorist actions in Greece. Abu Nidal, which might be collaborating with the Greek government, is capable of conducting operations in Greece, although the Community has no current evidence of this.

Colombia/Narcoterrorism

The Colombian government's recent counternarcotics initiatives have increased the threat to US personnel in Colombia. The extradition and conviction of Carlos Lehder in Miami, the arrest and subsequent release of Jorge Ochoa in 1987, and the government's antiterrorist decrees in 1988 have contributed to the reported surveillance of US facilities and the rocket attack on the US Embassy, creating a very tense situation for US personnel. If the current level of antinarcotics operations continues, then more retaliation is likely. CIA expects the attacks to be directed initially at Colombian targets, and then, if not successful in reducing the threat to the trafficker operations, at US personnel and facilities.

Ethiopia

Ethiopian forces are unlikely to reverse recent rebel gains in the north over the next 90 days. A sustained government counter-offensive is likely. The Government now has between 100,000 and 110,000 troops in Eritrea and about 60,000 more in Tigray to combat 25,000-30,000 Eritrean People's Liberation Front and perhaps 15,000 Tigrean People's Liberation Front guerrillas. Nonetheless, Community analysts are uncertain how willing to fight Mengistu's troops are, and the rebels are known to be well organized, experienced, and in control of key terrain. The results will be determined by the army's morale and the rebels' supplies.

3. The NIO/Warning notes this additional area of warning concern:

Panama/Cuba/Nicaragua:

In the opinion of the NIO for Warning, General Noriega is increasing his reliance on Cuba and Nicaragua for support for himself personally, the Panamanian economy, and the defense of Panama in the event of further United States moves against him. The mutual interests of the three countries in opposing the US suggest that Managua and Havana will continue to back Noriega.

The exact levels of materiel and advisory assistance from Cuba and Nicaragua is not known, but scattered reports indicate that Cuban military advisors have arrived in Panama and senior Nicaraguan officials continue to travel to Panama City. NIO/W agrees with SOUTHCOM's estimate that there are probably less than 100 Cuban military advisors currently in Panama. In addition, according to various sources, Cuba alone has delivered perhaps 300 tons of assorted goods through 21 unscheduled flights in May and June; the pace of deliveries accelerated in the two weeks after the suspension of US/Panamanian negotiations on 25 May. With this help, Noriega is able to:

- o Reduce the Panama Defense Forces' (PDF) reliance on US-supplied military gear and consumables, cutting his vulnerability to an arms embargo.
- o Supply especially loyal military and paramilitary forces with weapons stocks. Limited information indicates that these may include "artillery"--probably mortars--and hand-held surface-to-air missiles needed to defend against the much more heavily armed US 193rd Infantry Brigade and US reinforcements. Some of the materiel probably is in rural caches because of concern about a US invasion.
- o Receive military advisors for new equipment familiarization and instruction in skills such as guerrilla warfare and intelligence as well as basic training for paramilitary units.
- o Get Cuban intelligence information.
- o Procure quickly commodities needed by both the PDF and the populace, reducing the effectiveness of US trade sanctions and keeping morale from slipping dangerously. He also saves precious hard currency.

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